

**REPORT OF THE AUDIT OF THE  
HENRY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HENRY COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Henry County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

Excess fees increased by \$15,805 from the prior year, resulting in excess fees of \$50,220 as of December 31, 2003. Revenues decreased by \$269,815 from the prior year and disbursements decreased by \$288,021.

#### **Lease Obligations:**

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2003
Computer	\$ 3,380	60 months	12/31/2007	\$ 162,240
Software	\$ 1,845	60 months	12/1/2007	\$ 88,560
Copier	\$ 134	42 months	5/4/2004	\$ 536
Copier	\$ 274	60 months	11/15/2006	\$ 9,575
Copier	\$ 84	36 months	11/15/2003	\$ 924

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable John Brent, Henry County Judge/Executive  
The Honorable Juanita Lashley, Henry County Clerk  
Members of the Henry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Henry County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable John Brent, Henry County Judge/Executive  
The Honorable Juanita Lashley, Henry County Clerk  
Members of the Henry County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Henry County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
June 10, 2004



HENRY COUNTY  
JUANITA LASHLEY, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Receipts

State Grants - Library Archives	\$ 3,472
State Fees For Services	6,489
Fiscal Court	4,960

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 332,748
Usage Tax	1,215,853
Motor Vehicle Notary Fees	2,092
Motor Vehicle Lien Release Fees	3,901
Tangible Personal Property Tax	1,027,123

Licenses-

Marriage	3,588
Other Taxes and Licenses	1,653

Deed Transfer Tax	48,697
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Delinquent Tax	156,822	2,792,477
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Fees Collected for Services:

Recordings-

Chattel Mortgages and Financing Statements	49,786
Deeds	15,875
Fixture Filing	173
Leases	106
Liens	4,266
Releases	16,590
Real Estate Mortgages	45,076
Miscellaneous Recordings	6,338
Wills, Estate Settlements, & Accommodations	568

Charges for Other Services-

Candidate Filing Fees	80	
Copywork and Postage	6,891	
NSF Checks Less Redeposits	(117)	145,632

The accompanying notes are an integral part of this financial statement.

HENRY COUNTY  
 JUANITA LASHLEY, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Receipts (Continued)

Other:

Account Transfer	\$	767	
Accounts Receivable Credit Memos		(282)	
Refunds/Overpayments		6,812	
Outstanding Accounts Receivable		<u>(33)</u>	\$ 7,264

Interest Earned			<u>1,104</u>
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Total Receipts			\$ 2,961,398
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Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	251,335	
Usage Tax		1,176,987	
Tangible Personal Property Tax		372,910	
Delinquent Tax		19,831	
Legal Process Tax		<u>15,764</u>	\$ 1,836,827

Payments to County:

Tangible Personal Property Tax	87,536	
Delinquent Tax	17,210	
Deed Transfer Tax	<u>46,263</u>	151,009

Payments to Other Districts:

Tangible Personal Property Tax	525,456	
Delinquent Tax	<u>79,834</u>	605,290

Payments to Sheriff	1,305
Payments to County Attorney	23,040

The accompanying notes are an integral part of this financial statement.

HENRY COUNTY  
 JUANITA LASHLEY, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 122,599

Materials and Supplies-

Office Supplies 14,215

Other Charges-

Dues 2,051

Postage 5,022

Bank Charges 362

Transfer of Funds 1,205

Refunds 9,285

Capital Outlay-

Misc Equipment & Maintenance Agreements 6,498

Microfilming & Indexing 63,132 \$ 224,369

Library and Archives Grant

3,472

Total Disbursements \$ 2,845,312

Net Receipts \$ 116,086

Less: Statutory Maximum 62,266

Excess Fees \$ 53,820

Less: Expense Allowance 3,600

Excess Fees Due County for 2003 \$ 50,220

Payments to County Treasurer- March 15, 2004 50,220

Balance Due at Completion of Audit \$ 0

The accompanying notes are an integral part of this financial statement.

HENRY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest Receivable
- Collection On Accounts Due From Others For 2003 Services
- Reimbursements For 2003 Activities
- Payments Due Other Governmental Entities For December Tax And Fee Collections And Payroll
- Payments Due Vendors For Goods Or Services Provided In 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HENRY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,232. No funds were expended during the year. The unexpended grant balance was \$7,232 as of December 31, 2003. The County Clerk received a local salary back grant from the Kentucky Department for Libraries and Archives in the amount of \$5,164. Funds in the amount of \$3,472 were expended during the year. The unexpended grant balance was \$1,692 as of December 31, 2003.

HENRY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 5. Leases

The office of the County Clerk is committed to a lease agreement with Software Management for computer equipment and software, Citicorp Vendor for a copier, and Xerox Corporation for two copiers. The Clerk's office was committed to the following lease agreements as of December 31, 2003:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2003
Computer	\$ 3,380	60 months	12/31/2007	\$ 162,240
Software	\$ 1,845	60 months	12/1/2007	\$ 88,560
Copier	\$ 134	42 months	5/4/2004	\$ 536
Copier	\$ 274	60 months	11/15/2006	\$ 9,575
Copier	\$ 84	36 months	11/15/2003	\$ 924

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Brent, Henry County Judge/Executive  
The Honorable Juanita Lashley, Henry County Clerk  
Members of the Henry County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Henry County Clerk for the year ended December 31, 2003, and have issued our report thereon dated June 10, 2004. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henry County Clerk's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
June 10, 2004

